

## BACKGROUND

Each year, the Legislative Analyst's Office (LAO) publishes its review of the Governor's Budget. This agenda item is intended to provide Commissioners with information about the results of that for the succeeding fiscal year.

## SUMMARY

In this year's review, the LAO presented findings and recommendations to the Legislature regarding the Commission's proposed budget for the 2002-03 fiscal year. These recommendations have been highlighted below:

1. Eliminate the first-time credential fee waiver program, with a loss of about \$1.5 million from General Fund in offset money along with policy support for reinstating the application fee. [See Attachment Commission on Teacher Credentialing (6360), Page 13.]
2. Consolidate the Commission's Paraprofessional, Pre-Intern, Intern, Math Initiative Programs into an 18-program "block" grant (including Beginning Teacher Support and Assessment) to be administered by the California Department of Education. (See Attachment Teacher Support and Development, Page 16.)
3. Consolidate the Governor's Teaching Fellowships Program, currently administered by the California State University Chancellor's Office, with the existing Assumption Program of Loans for Education Program currently administered by the California Student Aid Commission (CSAC). Since CSAC would assume responsibility for monitoring the employment status of the fellowship recipients, the LAO is also recommending the elimination of the one General Fund-supported staff position in the Certification, Assignments, and Waivers Division that is currently assigned to the Fellowship program. (See Attachment California State University (6610), Page 27.)

These recommendations will be formally considered in Legislative budget hearings that will commence in March 2002.

Staff is available to answer any questions the Commissioners may have.



Legislative Analyst's Office

# Analysis of the 2002-03 Budget Bill

## Commission on Teacher Credentialing (6360)

The Commission on Teacher Credentialing (CTC) was created in 1970 to establish and maintain high standards for the preparation and licensing of public school teachers and administrators. The CTC issues permits and credentials to all classroom teachers, student services specialists, school administrators, and child care instructors and administrators. In total, it issues more than 100 different types of documents.

The Governor's budget includes a total of \$72 million for CTC. This is \$16 million, or 18 percent, less than CTC's budget for the current year. Of CTC's total budget, \$46 million is from the General Fund (Proposition 98) for five local assistance programs generally directed at getting more certificated teachers into public schools. The budget also includes \$1.7 million from the General Fund (non-Proposition 98) for state operations. In addition, the CTC expects to receive \$14 million from the Teacher Credentials Fund (TCF). The CTC currently charges \$55 million for the issuance and renewal of a teaching credential. The revenue it collects from this credential fee is deposited into the TCF. Additionally, CTC expects to receive \$10 million from the Test Development and Administration Account (TDAA). The CTC administers a number of examinations, including the California Basic Educational Skills Test, for which it charges \$41, and the Reading Instruction Competence Assessment, for which it charges \$122. It deposits revenue collected from these test fees into the TDAA. The CTC uses funds from the TCF and TDAA primarily for covering operating expenses.

### Major General Fund Budget Proposals

Figure 1 lists the Governor's major General Fund budget proposals. The Governor's budget proposes to reduce General Fund spending by \$12 million, or 20 percent, from the current year.

Figure 1 Commission on Teacher Credentialing General Fund Budget Proposals				
(Dollars in Millions)				
	2001-02	2002-03	Change from 2001-02	
			Amount	Percent
<b>State Operations</b>				
Teacher Credential Fee Buyout Program	\$1,650	\$1,575	-\$75	-5%
Teacher Credentialing Service Improvement Project	1,200	—	-1,200	-100
Governor's Teaching Fellowships	79	66	-13	-16
Paraprofessional Training Program	60	51	-9	-15
Adjustments	-25	—	25	-100
Subtotals	(\$2,964)	(\$1,692)	(-\$1,272)	(-43%)
<b>Local Assistance—Proposition 98</b>				
Internship Teaching Program	\$31,800	\$25,600	-\$6,200	-19%
Pre-Internship Teaching Program	11,800	11,800	—	—
Paraprofessional Training Program	11,478	7,478	-4,000	-35
California Mathematics Initiative	1,613	1,013	-600	-37
Teacher Misassignment Monitoring	350	350	—	—
Subtotals	(\$57,041)	(\$46,241)	(-\$10,800)	(-19%)
<b>Totals</b>	<b>\$60,005</b>	<b>\$47,933</b>	<b>-\$12,072</b>	<b>-20%</b>

**Eliminates Funding for Information Technology Project.** As Figure 1 shows, the Governor's budget proposes to eliminate General Fund support for the Teacher Credentialing Service Improvement Project, which is CTC's major information technology project. The CTC would still be authorized to expend \$1.5 million (all from the TCF) on the project in 2002-03, which is the same amount it was authorized to expend in 2001-02. In the current year, of the \$1.5 million designated for the project—\$1.2 million was General Fund and \$298,000 was TCF monies.

**Continues Funding for Fee Waiver Program.** The Governor's budget also proposes to continue funding a teacher credential fee buyout program. The Governor's budget includes \$1.6 million for this program, which waives the \$55 application fee for first-time applicants. (See write-up below.)

**Reduces Funding for Local Assistance Programs.** Additionally, the Governor's budget proposes to reduce funding for three local assistance programs that CTC administers.

- **Internship Program.** The Governor's budget proposes to reduce the Internship Teaching Training program by \$6.2 million, or almost 20 percent. This program currently provides training and on-site support for approximately 7,500 new teachers who have not been through traditional teacher-education programs. The CTC provides the universities and districts that administer these programs with \$2,500 per intern.
- **Paraprofessional Program.** The Governor's budget proposes to reduce the Paraprofessional Teaching Training program by \$4 million, or almost 35 percent. The Paraprofessional program provides academic scholarships to teachers' aides and assistants for the purpose of completing college coursework and obtaining teaching credentials. The CTC provides grants to school districts to cover program costs in an amount not to exceed \$3,000 per paraprofessional. The program currently serves approximately 2,400 paraprofessionals.

- **California Mathematics Initiative.** The Governor's budget proposes to reduce the California Mathematics Initiative for Teaching program by \$600,000, or 37 percent. The program provides financial assistance to individuals who complete coursework so they can obtain a teaching credential in mathematics. Program participants are eligible to receive a total of \$7,500 in financial assistance over four consecutive years. To date, the program has served fewer than 200 teachers.

We discuss these programs in more detail in the "Education Crosscutting Issues" section of the *Analysis*. In that discussion, we recommend that the Legislature include all four of these programs in a new formula-based teacher support and development block grant. Under the new block grant, school districts would receive per-teacher funding rates greater than or comparable to the current-year rates. Additionally, under the new block grant, the programs would not be limited in size—districts that wanted to operate an approved internship program, for example, could serve as many teachers as they wanted.

**Eliminate Fee Waiver for First-Time Credential Applicants**

***We recommend the Legislature eliminate the fee waiver program for first-time credential applicants, thereby saving \$1.6 million of General Fund monies, as there is no evidence it helps attract additional or better qualified teachers.***

The Governor's budget includes \$1,575,000 for a teacher credential fee buyout program. This program waives the \$55 application fee for first-time applicants for multiple subject, single subject, special education, and specialist credentials. The state has provided General Fund support to waive the applicant fee since 1999-00.

***No Evidence Program Attracts Additional, Better Qualified Teachers.*** Neither the administration nor CTC has provided any evidence to suggest that the \$55 application fee is a barrier that prevents individuals from becoming teachers. There also is no evidence that it helps attract better qualified teachers. Indeed, by the time individuals apply for their credential, they have already completed a rigorous set of credentialing requirements and invested substantial time and resources. For example, a student enrolled in a two-year teacher-education program at the University of California (UC) pays approximately \$10,000 in fees and more than \$20,000 in living expenses. A student enrolled in a one-year program at the California State University pays approximately \$2,000 in fees and approximately \$10,000 in living expenses. These represent only the monetary costs—individuals also devote a significant amount of energy and personal resources toward completing a teacher-education program. Individuals who have completed these programs therefore are unlikely to be discouraged from becoming teachers by the relatively small \$55 fee required to obtain the necessary credential documentation.

***State Funds Several Special Teacher Recruitment and Retention Programs.*** Although the fee waiver program probably does not attract additional teachers or better qualified teachers, the state does fund several programs specially designed to meet these objectives. For example, the Governor's budget includes \$119 million for the Teaching As A Priority program, which allows districts to offer certificated teachers

signing bonuses, retention bonuses, housing subsidies, and classroom supplies. Unlike the fee waiver program—which provides a subsidy to *all* perspective teachers—this program provides financial incentives directly to teachers that districts either want to hire or retain.

The Governor's budget also includes more than \$15 million to support the California Center for Teaching Careers, which is a statewide agency that promotes the teaching profession, and six Teacher Recruitment Centers, which are regional agencies that provide aspiring teachers with a variety of recruitment services. Although limited data exist on the effectiveness of these programs in attracting individuals who would not otherwise have become teachers, the programs do advertise throughout the country and attempt to recruit qualified teachers to work in areas with teacher shortages.

***State Funds Several Financial Assistance Programs for Aspiring Teachers.*** In addition to funding these teacher recruitment and retention programs, the state funds several financial assistance programs for aspiring teachers. These direct assistance programs are designed to recruit students that might not otherwise become teachers because of the educational cost. For example, the Assumption Program of Loans for Education provides students with up to \$19,000 in loan forgiveness if they agree to teach four years in a designated subject shortage area or in a low-income and/or low-performing school. Similarly, the Cal Grant T program provide



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# Analysis of the 2002-03 Budget Bill

## Teacher Support and Development

The Governor's budget includes \$743 million for 22 teacher preparation, induction, and professional development programs. Of this amount, \$514 million is Proposition 98 General Fund and \$87.1 million is reappropriated from the Proposition 98 Reversion Account. The remaining \$142 million is non-Proposition 98 General Fund. Of the 22 programs, the Department of Education (SDE) administers 12 programs, the Commission on Teacher Credentialing (CTC) administers 4 programs, the University of California (UC) administers 4 programs, and the California State University (CSU) administers 2 programs. Figure 1 shows the amount each of these agencies received for these programs in the *2001-02 Budget Act* and the 2001-02 budget as revised by the Legislature in the Third Extraordinary Session. It also shows the amount included in the Governor's budget proposal.

Figure 1 Teacher Support and Development Programs General Fund Budget Summary			
(In Millions)			
	2001-02		2002-03 Proposed Budget
	Budget Act	Revised Budget	
<b>Proposition 98</b>			
Department of Education	\$536.2	\$456.2	\$468.1
Commission on Teacher Credentialing	56.7	56.7	45.9
Subtotals	\$592.9	\$512.9	\$513.9
<b>Proposition 98 Reversion Account</b>			
Department of Education	\$80.0	\$31.7	\$87.1
<b>Non-Proposition 98</b>			
Department of Education	\$55.6	\$49.6	\$49.6
University of California	93.5	87.5	83.5
California State University	14.5	14.5	8.3
Subtotals	\$163.7	\$151.7	\$141.5
<b>Totals</b>	<b>\$836.6</b>	<b>\$696.3</b>	<b>\$742.5</b>

The Governor's budget proposes the following funding adjustments to teacher preparation, induction, and professional development programs.

- **Continues Current-Year Reductions.** It continues \$88 million in current-year reductions for five programs, though it provides a total of \$6.4 million to fund growth and a cost-of-living adjustment (COLA) to the reduced base budget of two of these programs.
- **Proposes Additional Budget-Year Reductions.** It proposes \$21.3 million in additional budget-year reductions to five other programs.
- **Eliminates Three Programs.** It eliminates the School Development Plans, Resource Consortia, and the Demonstration Programs in Intensive Instruction, for a total

savings of \$27.7 million.

- **Augments Funding for Two Programs.** It provides a total of \$110 million for the Mathematics and Reading Professional Development program, which is \$78.3 million more than provided in the current year, as revised by the Legislature in the Third Extraordinary Session. It also augments the Advanced Placement Challenge Grant program by \$4 million.
- **Funds Growth and COLA.** It provides \$6.3 million to fund growth and COLA for five other professional development programs.

In this write-up, we first identify the programmatic impact associated with each of the Governor's major budget proposals. We then recommend a programmatic alternative based upon the same total amount of funding included in the Governor's budget. This alternative consolidates 25 teacher support and development programs into two new block grants—a formula-based block grant and a competitively based block grant. The consolidation would seek to (1) streamline programs with similar purposes; (2) simplify the relatively complex administrative process districts must currently maneuver to obtain teacher support and staff development monies; (3) offer districts more flexibility in developing and coordinating their teacher preparation, induction, and ongoing professional development programs; and, (4) gain funding efficiencies by leveraging existing resources more effectively. The consolidation would be linked to a set of teacher support and professional development standards and hold districts accountable through a revised program-review process.

## Continuing Current-Year Reductions

The Governor's budget proposes to continue current-year reductions for five programs. Figure 2 lists these programs and their funding levels. In this section, we discuss the likely programmatic impact of each of these reductions. In the final section of this write-up, we recommend these programs be included in a new formula-based block grant.

Figure 2 Continuing Current-Year Reductions			
(In Millions)			
	2001-02		2002-03
	Budget Act	Revised Budget	Budget Proposal
Peer Assistance and Review	\$134.2	\$84.2	\$86.9
California Professional Development Institutes	110.9	98.9	98.9
Beginning Teacher Support and Assessment	104.6	84.6	88.3
National Board for Professional Teaching Standards Certification Incentive Program	15.0	10.0	10.0
High School Coaching Education and Training Program	1.0	—	—
Totals	\$365.7	\$277.7	\$284.1

### Peer Assistance and Review

The 2001-02 revised budget includes a \$50 million reduction for the Peer Assistance and Review (PAR) program. This is a 37 percent reduction from the *2001-02 Budget Act* appropriation. The Governor's budget proposes to continue this reduction though it provides a \$2.7 million augmentation to fund growth and COLA. The PAR program is a professional development program for veteran teachers who are identified as struggling or who want individualized mentoring. The administration states two reasons for continuing

the reduction: (1) it believes participation is lower than expected (though neither it nor SDE can provide participant counts to confirm the underutilization), and (2) it thinks the mentor-teacher funding rate is too high. (The PAR program is funded on a mentor-teacher basis, with districts receiving 1 mentor-teacher position for every 20 certificated teachers.)

**Lowers Mentor-Teacher Funding Rate.** As a result of these funding adjustments, the mentor-teacher funding rate would drop from \$8,710 (the 2000-01 rate) to \$4,496 in the budget year for districts that certified their PAR programs by July 2000. It would drop from \$6,851 to \$3,427 for districts that certified their PAR programs by July 2001.

**Half of PAR Monies to Be Set Aside for Other Teacher-Training Programs.** The administration's education trailer bill proposal creates a reserve pool of funding that districts could apply for annually if they meet two conditions: (1) they certified each year (by March 1) that they had collectively bargained the provisions of the PAR program, and (2) they used at least 50 percent of their PAR monies for programs supporting new teachers. Education Code Section 44506 currently allows districts to use PAR monies for other teacher-training programs, but it does not require them to spend a minimum amount on these other programs. The proposed change would therefore restrict districts' flexibility to shift funding among teacher-related programs.

**Beginning Teacher Support and Assessment**

The 2001-02 revised budget includes a \$20 million reduction for the Beginning Teacher Support and Assessment (BTSA) program. This is a 19 percent reduction from the 2001-02 Budget Act appropriation. The Governor's budget proposes to continue this reduction though it provides \$3.6 million for growth and COLA on the reduced base. The BTSA program is an induction program for first-year and second-year teachers. It is funded on a per-teacher rate. The proposed rate is \$3,448 per beginning teacher, which is \$73 higher than the current-year rate. The administration states that the continuation of the current-year reduction reflects a revised estimate of participation in 2002-03.

**Participation Remains Uncertain.** The budget proposal provides sufficient funding to support approximately 24,600 beginning teachers. Approximately 29,500 beginning teachers would be *eligible* to participate in the program. Currently, the program is voluntary and not all eligible teachers have elected to participate in the program during the last several years. In 2002-03, CTC expects, however, to make the completion of an induction program a new requirement for obtaining a professional clear credential (pursuant to Chapter 548, Statutes of 1998 [SB 2042, Alpert]). If CTC makes this change, more teachers are likely to use the BTSA program to satisfy the new requirement. If all eligible teachers were to participate and the proposed per-teacher funding rate of \$3,448 were maintained for all teachers, BTSA would require approximately \$16.8 million more than the proposed appropriation. (The budget proposal includes a flexibility provision [Control Section 12.60] that would allow SDE to shift funding among 13 voluntary participation programs if some of these programs experienced unexpected levels of participation.)

**National Board for Professional Teaching Standards Certification Incentive Program**

The 2001-02 revised budget includes a \$5 million reduction for the National Board for Professional Teaching Standards Certification Incentive program—lowering the total appropriation from \$15 million to \$10 million. The Governor's budget proposes to continue this reduction. The National Board program consists of three components: (1) \$1,000 fee



subsidies for new teachers entering the national certification program, (2) \$10,000 awards for each teacher who completes the national certification program; and (3) supplemental \$20,000 awards for each teacher who completes the program *and* teaches in a low-performing school for four years (\$5,000 is distributed at the completion of each of the four years).

**Funding Insufficient to Award All Eligible Teachers.** The SDE states that the national certification program requires a total of \$15 million in the budget year (which is \$5 million more than included in the Governor's budget) if it is to honor its commitment and provide awards to all recently certified teachers as well as offer fee assistance to all new teachers entering the national certification program. Even if the program stopped offering fee assistance to teachers entering the national certification program, it would still require approximately \$12 million to provide awards to all eligible teachers. (This program is also included in the funding-flexibility provision.)

**California Professional Development Institutes**

The 2001-02 revised budget includes a \$12 million reduction for the California Professional Development Institutes (PDIs), which are administered by the University of California (UC). This reduction is split evenly between UC's training budget and SDE's stipend budget. Continuing this reduction, the proposed 2002-03 appropriation for the PDI program is \$98.9 million. The PDI program provides a minimum of 120 hours of subject-based and standards-based professional development to beginning and veteran teachers.

**PDI Program Could Serve More Teachers.** Even with the proposed funding reduction, the PDI program would probably serve additional teachers in the budget year because it has not met its participant targets in prior years. In 2000-01, the PDI program was funded to serve approximately 49,000 teachers. It actually served approximately 44,000 teachers. For 2001-02 and 2002-03, UC is funded to serve approximately 48,000 teachers. As of December 1, 2001, UC had signed formal agreements, however, to train slightly less than 30,000. Given participation will probably increase in the budget year, the Governor's proposal is likely to include an appropriate level of funding for the PDI program.

**Additional Budget-Year Reductions**

The Governor's budget proposes additional reductions to five other teacher preparation and professional development programs. Figure 3 lists these five programs and their funding levels. In this section, we identify the likely programmatic impact of these reductions. As with the programs discussed above, we recommend these programs be included in a new formula-based block grant.

Figure 3 Additional Budget-Year Reductions				
(Dollars in Millions)				
	2001-02 Budget	2002-03 Proposed Budget	Change from 2001-02	
			Amount	Percent
Internship and Pre-Internship Teaching Program	\$43.6	\$37.4	-\$6.2	-14%
California Subject Matter Projects	35.3	31.3	-4.0	-11
Education Technology Professional Development Program	12.5	6.0	-6.5	-52
Paraprofessional Teacher Training Program	11.5	7.5	-4.0	-35
California Mathematics Initiative For Teaching	1.6	1.0	-0.6	-37
Totals	\$104.5	\$83.2	-\$21.3	-20%

California Subject Matter Projects

The Governor's budget proposes a \$4 million reduction to the California Subject Matter Projects (SMP)—lowering the current-year appropriation of \$35.3 million to \$31.3 million. The SMP program, which is administered by UC, is a longstanding subject-based and standards-based professional development program that focuses on developing teacher-leaders. These teachers are expected to serve in key leadership capacities at their local school sites.

**Fewer Teachers Would Be Served.** Unlike the PDI program, UC has already committed all of its current-year funding for the SMP program. In 2001-02, the SMP program is serving approximately 16,700 participants, at an average per-teacher funding rate of \$2,100. This rate includes both training costs and funding for stipends, which range from \$500 to \$1,500. As a result of the proposed reduction, UC estimates it would serve approximately 1,800 fewer teachers.

Education Technology Professional Development Program

The Governor's budget proposes to reduce funding for the Education Technology Professional Development program by \$6.5 million, a reduction of more than 50 percent. This program, structured similarly to the PDI program, provides 120 hours of professional development in education technology for both beginning and veteran teachers. The CSU spends approximately \$1,900 per teacher. This rate includes a \$1,000 stipend.

**Fewer Teachers Would Be Served.** As of December 31, 2001, CSU had already committed all of its current-year funds. It expects to train slightly more than 6,600 teachers. The proposed reduction would result in CSU being able to serve approximately 3,600 fewer teachers in 2002-03. According to CSU, it has had a waiting list for the last two years comprised of teachers who would like to participate in the program when slots are available.

Internship and Pre-Internship Teaching Programs

The Governor's budget proposes a \$6.2 million reduction to the Internship program—lowering the current-year appropriation of \$31.8 million to \$25.6 million. The Internship program provides training and on-site support for new teachers who have already demonstrated subject matter competency but have not yet obtained their preliminary clear credential. A related program, the Pre-Internship program, provides subject-matter test

preparation as well as training in classroom management and basic pedagogy for new teachers who have not yet demonstrated subject matter competency. Both interns and pre-interns would otherwise be teaching on emergency permits if they were not participating in one of these specially designed training programs. The CTC administers both programs.

**Participating Teachers, Spending Would Decline Significantly for Pre-Internship Program.** Education Code Section 44386 gives CTC the authority to shift funds appropriated for the Internship program to the Pre-Internship program, which it has done for the last several years. For the two programs, Figure 4 shows the *2001-02 Budget Act* appropriation, CTC's 2001-02 expenditure estimates, and the Governor's proposed 2002-03 funding level. Given the proposed reduction, CTC is unlikely to continue shifting funds from the Internship to the Pre-Internship program. As a result, spending for the Pre-Internship program would decline by approximately 43 percent. The CTC states that it would no longer shift funds because it would want to guarantee program slots for all current pre-interns who would be advancing into Internship programs.

In 2001-02, CTC is serving a total of 18,100 interns and pre-interns. As a result of the proposed reduction, it would serve approximately 2,400 fewer interns and pre-interns in 2002-03. Although this is a notable reduction, the two programs are serving almost 250 percent more teachers in 2001-02 than they served in 1998-99.

Figure 4 Internship and Pre-Internship Teaching Programs					
(Dollars in Millions)					
	2001-02		Change from Estimated 2001-02		
	Budgeted	Estimate <sup>a</sup>	2002-03 Proposed	Amount	Percent
Internship Program	\$31.8	\$23.0	\$25.6	\$2.6	11%
Pre-Internship Program	11.8	20.6	11.8	-8.8	-43
Totals	\$43.6	\$43.6	\$37.4	-\$6.2	-14%
<sup>a</sup> In 2001-02, CTC estimates that it will spend about \$3.7 million on regional technical assistance for both programs. The 2001-02 Estimate evenly divides this cost between the two programs.					

Paraprofessional Teacher Training Program

The Governor's budget proposes a \$4 million, or 35 percent, reduction to the Paraprofessional Teacher Training program—lowering the current-year appropriation of \$11.5 million to \$7.5 million. The Paraprofessional program provides academic scholarships to teachers' aides and assistants for the purpose of completing college coursework and obtaining teaching credentials. As a result of the proposed reduction, CTC states that it would continue funding the approximately 2,400 paraprofessionals who are currently participating in the program, but it would be unable to fund any new program participants. In 2001-02, the program is serving more than four times as many teachers as it served in 1999-00.

Eliminates Three Professional Development Programs

The Governor's budget proposes to eliminate three existing professional development programs—the School Development Plans, Resource Consortia (Regional Professional Development Consortia), and the Demonstration Programs in Intensive Instruction. This section briefly describes these programs. Although the Governor proposes to eliminate

these programs, we think that a formula-based block grant could fulfill the primary objectives of the School Development Plans and Resource Consortia. Furthermore, we think a competitively based block grant could fulfill the primary objectives of the Demonstration Programs in Intensive Instruction.

**Staff Development Plans and Regional Professional Development Consortia**

Chapter 1362, Statutes of 1988 (SB 1882, Morgan), initiated comprehensive reform of existing professional development programs. Part of its reform effort was to create the School Development Plans and the Resource Consortia. Both programs primarily target high schools.

**School Development Plans.** School development plans are comprehensive, school-site, professional development plans that are designed to be linked to overall school improvement objectives. The professional development activities embedded in these plans are intended to improve teachers' subject matter knowledge and help teachers develop curricula and select high-quality instructional materials. Initially, districts must submit their school-site plans to SDE for review and approval. They then must certify annually that they are continuing to implement their plans. The *2001-02 Budget Act* included \$17.3 million for schools to maintain these plans. This funding provided approximately \$13.30 per average daily attendance (ADA) in grades 9-12.

**Regional Professional Development Consortia.** The regional professional development consortia typically consist of two educators who work with districts to increase awareness of the state's professional development policies. The consortia also: (1) offer professional development activities, (2) coordinate activities with local SMPs, and (3) disseminate information on best practices and model professional development programs. The *2001-02 Budget Act* provided \$4.3 million to support 11 consortia dispersed throughout the state.

**Demonstration Programs In Intensive Instruction**

The Legislature created the Demonstration Programs in Intensive Instruction in 1969 for the purpose of developing model programs in reading and mathematics instruction. The original program was amended in 1992 to add other subject areas, including foreign language, history, and science. The ultimate objective of the model programs is to assist struggling middle grade students.

**Program Has Sunset.** The program sunset in 1995, but the state has chosen to fund it every year since 1995. The *2001-02 Budget Act* included \$6.1 million for the program, providing grants to 126 middle schools. Most award amounts were \$30,000 or \$50,000 per school. If local programs appear to be working, SDE renews the grants for a total of four years. In 2001-02, SDE issued first-year awards to 49 schools (\$2.4 million), second-year awards to 23 schools (\$1.1 million), third-year awards to 47 schools (\$1.5 million), and fourth-year awards to 8 schools (\$1.1 million). The Governor proposes eliminating the program because of the current fiscal situation.

**Augments Second-Year Funding for New Professional Development Program**

As a result of legislative action taken in the Third Extraordinary Session, the current-year

budget provides \$31.7 million for the first year of the Governor's Mathematics and Reading Professional Development (MRPD) program. The Governor's budget includes \$110 million to fund the second year of the program. Of this amount, \$22.9 million is Proposition 98 General Fund and \$87.1 million is reappropriated from the Proposition 98 Reversion Account. In 2003-04, the administration plans to provide a total of \$128 million for the third year of the program. We recommend this program also be included in a formula-based block grant.

**Mathematics and Reading Professional Development Program**

Chapter 737, Statutes of 2001 (AB 466, Strom-Martin), established the MRPD program. According to the administration's revised plan, the program would provide standards-based professional development to more than 170,000 teachers and 22,000 instructional aides over a five-year period (2001-02 through 2005-06). Each teacher receives a total of 120 hours of training, including 40 hours of initial intensive training and 80 hours of follow-up instruction, coaching, and school-site assistance.

**Approximately 33,000 Teachers to Receive MRPD Training.** In 2002-03, the Governor proposes to fund MRPD training for 32,800 teachers (at a per-teacher rate of \$2,500) and 6,500 instructional aides (at a per-aide rate of \$1,000). Additionally, the Governor proposes to provide supplemental incentive funding for 43,000 teachers (at a per-teacher rate of \$500) who have already attended or currently are attending a PDI.

**Update on Implementation of MRPD Program**

Some preliminary MRPD activities already have been completed, but much remains to be done before teachers can receive state-approved training.

**Initial Implementation Will Not be Completed for Several Months.** Currently, the State Board of Education (SBE) is working under contract with the Sacramento County Office of Education to develop the state criteria that training providers will need to satisfy to be approved as MRPD providers. The SBE expects to approve the finalized set of criteria in early February, and board staff think that some providers might be approved as early as March or April. The board will continue to review providers' proposals (as they are submitted) throughout the coming year. The SBE expects that existing PDI providers would be pre-approved (bypassing the formal review process), but private companies, districts, county offices, and universities could also apply to become MRPD providers.

The SDE is currently developing regulations for the new program for SBE's consideration. The SBE adopted emergency regulations in January, but final regulations will probably not be completed for several months. The SDE expects to have a request for applications prepared by the middle of February. Districts' applications probably would need to be submitted to SDE by the middle of March to be part of the initial funding allocation. The SDE expects to allocate funding, distribute grant awards, and encumber funding in April or May.

**Training Could Begin Late Spring.** Given all these activities have yet to be completed, official MRPD training will probably not begin until late spring. The administration believes, however, that some districts have already begun conducting MRPD training—thinking they eventually will be approved as MRPD providers. Given the timing concerns mentioned above, it is uncertain how much MRPD training would actually occur in the current year.

**Current-Year MRPD Funds May Not Train Many New Teachers.** If few teachers receive state-approved MRPD training in the current year, the bulk of current-year funding would provide *past* PDI participants with \$500 bonuses. If that were to occur, the funding would not be going to train new teachers but instead would go for bonus payments to teachers who have already been trained. This is an additional anomaly of the current system that results from having two almost identical programs administered by two different agencies and funded at two different rates.

## Current System Riddled With Problems

The Governor's budget proposals have the effect of highlighting some of the major problems with the current array of teacher preparation, induction, and professional development programs.

**Too Many Programs.** One problem is the sheer number of programs. As discussed above, the Governor's budget makes funding adjustments to almost a dozen different teacher preparation, induction, and professional development programs (in addition to the seven augmentations for growth and COLA and the five reductions included in the revised 2001-02 budget). Of these programs, the vast majority were created within the last five years and few are designed to complement one another.

**Similar Purposes, Duplicative Services.** Additionally, these programs have the same purpose—to provide teachers with support and opportunities for ongoing professional development. Certainly the details of the training vary—some focus on mathematics whereas others focus on reading or education technology; some target beginning teachers, teachers without full credentials, misassigned teachers, or veteran teachers; some provide intensive subject-matter training whereas others offer frequent classroom-based mentoring. Despite these variations, all are designed to help teachers improve their skills and raise student achievement. The programs therefore offer relatively duplicative services and often compete with one another for teachers' participation.

**Administrative Quagmire at Local Level.** Although most of these programs have a similar purpose, school districts need to apply for each one separately. Hypothetically, a school district might apply to CTC to administer a Pre-Internship and Internship program, collaborate with certain UC personnel to enroll some teachers in the PDI program, collaborate with other UC personnel to enroll other teachers in the SMP program, coordinate with CSU to enroll some teachers in the Education Technology program, apply to SBE to become a state-approved provider to operate its own professional development program for other teachers, submit an annual BTSA improvement plan to its BTSA Cluster Consultant, submit a payment-request form and end-of-the-year verification form to SDE to participate in the Instructional Time and Staff Development Reform (ITSDR) program, and collectively bargain the provisions of its PAR program.

The school district that engaged in the above activities would be participating in less than half of all available preparation, induction, and professional development programs (though it would be participating in the largest-scale programs). Having to navigate this process to offer teachers support and ongoing professional development is likely to be time-consuming, complicated, and frustrating.

**Administrative Quagmire at State Level.** The ability of state-level administrators and

policymakers to monitor and evaluate all these programs is equally difficult. For example, UC now has to track the number of PDI participants it serves with PDI dollars versus MRPD dollars. The state then provides a \$500 bonus for PDI participants funded with PDI dollars so it can equalize the funding rate provided under the MRPD (\$2,500) and PDI (\$2,000) programs. Additionally, the state needs to track: (1) the amount of ITSDR monies used to provide onsite support under the MRPD program, (2) the amount of funding shifted from the Internship to the Pre-Internship program, and (3) under the proposed language changes, the amount of PAR monies spent on nonPAR activities. All this is necessary just to track funding streams. Assessing the actual quality of these programs is even more difficult.

**Federal Funds Not Used to Support Key State Programs.** Despite the significant investment the federal government makes in teacher preparation, induction, and professional development, few state programs explicitly attempt to couple state and federal funds. For example, although federal Eisenhower monies could be used to provide SMP, PDI, or MRPD training, the state provides few incentives for districts to use federal funds to support, expand, or enhance these programs.

**Current System Incoherent.** Fourteen years ago, when enacting Chapter 1362, the Legislature found:

The current array of staff development activities and incentives has grown by accretion, without a clear vision, remains largely unevaluated, and is unlikely to yield substantial improvement.

Since the Legislature made this statement, the state has created 18 new teacher support and development programs.

The recently released *Report of the Professional Development Task Force (2001)*, commissioned by the Superintendent of Public Instruction, reiterated similar concerns to the ones discussed above, including fragmentation, multiple funding streams, and the failure of one-size-fits-all approaches. The recently released SRI International report, *The Status of the Teaching Profession 2001*, also described the system as uncoordinated and ineffective (based upon teachers' assessments). Similarly, an EdSource report, *Strengthening Teacher Quality in California* (1999), highlighted the difficulty school districts have in leveraging professional development funds to support local reform efforts.

## LAO Alternative Approach to Teacher Support and Development

### Create New Formula-Based Teacher Support and Development Block Grant

***We recommend the Legislature consolidate 18 existing programs and create a new formula-based block grant to increase local flexibility and effectiveness in supporting teacher development. The block grant would provide a total of \$722 million of Proposition 98 funds that school districts could use for teacher support and professional development activities.***

We think the issues identified above could be addressed by creating a new formula-based teacher support and development block grant. The block grant we recommend would

provide a total of \$722 million of Proposition 98 monies and consolidate 18 existing programs. Figure 5 lists these programs. The consolidation would entail shifting \$139 million of expenditures that are budgeted as non-Proposition 98 General Fund monies to within the Proposition 98 minimum guarantee. (If the minimum Proposition 98 guarantee were to increase this spring—and it could increase by more than \$800 million—this redirection could accommodate a portion of this increase as well as save \$139 million in non-Proposition 98 General Fund monies.) In the budget year, the block grant would also use \$87.1 million from the Proposition 98 Reversion Account.

**Several Benefits to Consolidation.** The consolidation would (1) streamline programs with similar purposes; (2) simplify the relatively complex administrative process districts must currently maneuver to obtain teacher support and staff development monies; (3) offer districts more flexibility in developing and coordinating their teacher preparation, induction, and ongoing professional development programs; and (4) gain funding efficiencies by leveraging existing resources more effectively.

**Linked to Teacher Support and Development Standards.** To provide some overall direction and guidance, we recommend linking the block grant to standards for teacher support and professional development. Several groups have recently worked on establishing these standards.

Figure 5 LAO Formula-Based Teacher Support and Development Block Grant <sup>a</sup>		
(In Millions)		
Budget Item	Program	Proposed Appropriation
Proposition 98		
6110-112-0001	Instructional Time and Staff Development Reform Program	\$230.0
6110-137-0001	Mathematics and Reading Professional Development Program	22.9
6110-181-0001	Education Technology Staff Development Grades 4 through 8	9.7
6110-191-0001	Beginning Teacher Support and Assessment	88.3
6110-193-0001	Peer Assistance and Review	86.9
6110-193-0001	Bilingual Teacher Training Program	1.8
6110-195-0001	National Board for Professional Teaching Standards Certification Incentive Program <sup>b</sup>	10.0
6110-485-001	Mathematics and Reading Professional Development Program	87.1
Eliminated	School Development Plans and Resource Consortia	—
Eliminated	High School Coaching Education and Training	—
6360-101-0001	Alternative Certification Program	25.6
6360-101-0001	Pre-Internship Teaching Program	11.8
6360-101-0001	Paraprofessional Teacher Training Program	7.5
6360-101-0001	California Mathematics Initiative for Teaching	1.0
Subtotal		\$582.5
Non-Proposition 98		
6110-136-0001	California Professional Development Institutes	\$48.0
6440-001-0001	California Professional Development Institutes	50.9
6440-001-0001	California Subject Matter Projects	31.3
6440-001-0001	Pre-Intern Teacher Academies	0.8
	Education Technology Professional	6.0



6610-001-0001	Development Program	
	CalState TEACH	2.3
6610-001-0001		
Subtotal		\$139.3
<b>Total</b>		<b>\$721.8</b>
a Block grant would consolidate the listed programs, funding sources, and amounts as proposed by the Governor into a single allocation of \$722 million from Proposition 98.		
b Funding from program would need to be gradually shifted into the block grant as outstanding statewide obligations were paid.		

In the prior legislative session, the state enacted Chapter 884, Statutes of 2001 (AB 341, Strom-Martin), which provided SDE with \$140,000 to contract for the development of professional development standards. Additionally, the Regional Professional Development Consortia published *Designs for Learning*, which identifies 10 elements of high-quality professional development. The National Staff Development Council has also recently revised its 12 standards for professional development.

In general, research advocates that teacher support and development be: (1) based on a coherent, long-term planning process that involves teachers and administrators; (2) include a school-site professional development plan that is connected to overall school improvement objectives and evaluated based upon gains in student achievement; and (3) allow for integrated, ongoing collaboration among teachers.

**Allocated on Per-Teacher Formula.** Under our proposed block grant, SDE would distribute the \$722 million to local educational agencies based on per-teacher funding rates that vary according to teachers' levels of preparation and experience. Figure 6 shows the per-teacher funding rates included in the Governor's budget and our proposed alternative funding rates, which in most cases are significantly higher. For example, the funding rate per fully credentialed beginning teacher would increase from \$3,448 to \$5,500—a 60 percent increase. In addition, our proposal provides funds adequate to serve *all* teachers and paraprofessionals.

**Rates Vary According to Training Costs.** Although the funding rates could be altered in many ways, the rates we suggest vary according to the likely costs incurred in providing specific forms of training and support. For example, the New Teacher Center states that it costs between \$5,000 and \$6,000 to provide intensive mentoring services to beginning teachers. In contrast, the costs associated with content-specific training for veteran teachers are lower, as evidenced by data on the PDI and Education Technology programs. These programs provide between \$1,800 and \$2,000 per teacher, typically including \$700 for training costs, \$1,000 for a teacher stipend, and between \$100 and \$300 for administration and evaluation. The funding rate we propose for veteran teachers—\$2,000—is consistent with these amounts.

**Proposed Rates Benefit Low-Performing Schools, Provide Incentives to Hire Qualified Teachers.** The proposed funding rates offer some benefits particularly for low-performing schools. For example, under the current system, school districts receive no funding to train and support teachers with emergency permits. By comparison, under the proposed block grant, they would receive \$2,000 per emergency-permit holder. These schools would also receive higher funding rates for teachers with pre-intern and intern certificates. The proposed funding rates could, how ever, also provide incentives for districts to hire fully credentialed teachers. This is because the proposed funding rates for beginning teachers increase with their level of preparation.

Figure 6 LAO's Formula-Based Block Grant Funding Rates and Teachers Served				
(2002-03)				
Credential Type	Budget's Funding Rate	LAO Block Grant		
		Funding Rate	Persons <sup>a</sup>	Total Cost (In Millions)
Emergency permit	—	\$2,000	34,800	\$69.6
Pre-Intern certificate	\$2,000	2,500	5,300	13.3
Internship credential/certificate	2,500	4,000	6,400	25.6
First-Year and second- year teachers with full credential	3,448	5,500 <sup>b</sup>	24,000	132.0
Other full credential	2,500	2,000 <sup>c</sup>	227,000	454.0
Other waiver		750 <sup>d</sup>	3,300	2.5
Subtotals	—	—	300,800	—
Paraprofessionals	1,000	1,000 <sup>d</sup>	25,000	\$25.0
Totals	—	—	325,800	\$722.0
<sup>a</sup> Estimate for 2002-03 based on 2000-01 California Basic Educational Data System (CBEDS) data, weighted by time worked, and adjusted for growth in 2001-02 and 2002-03.				
<sup>b</sup> Although this funding rate is lower, all teachers with a full credential would be funded. In essence, it would fund almost seven days (rather than three days) of Instructional Time and Staff Development.				
<sup>c</sup> This funding rate would be sufficient to cover some training for noncore subject teachers. For example, the average reimbursement for training high school coaches is \$155.				
<sup>d</sup> Although this is the same rate as provided through the MRPD program, funding would be provided annually to train all 25,000 paraprofessionals. By comparison, the Governor proposes to provide one-time training to 6,500 paraprofessionals in 2002-03.				

**Block Grant Serves More Teachers and Aides.** In addition to higher per-teacher funding rates, our recommended block grant would serve more teachers and instructional aides. As noted earlier, *all* teachers and full-time paraprofessionals could be funded under our proposal. By comparison, the Governor's budget funds: (1) no teachers on emergency permits or waivers, (2) only one-fourth of paraprofessionals, and (3) roughly half of veteran teachers (and only on a short-term basis).

**Block Grant Offers Flexibility, Takes Advantage of Existing Infrastructure.** Our recommended block grant would fund participating districts on per-teacher rates, but it would not require specific amounts of funding to be expended on specific teachers. Districts would have considerable flexibility in structuring comprehensive teacher support and development programs, but they could rely entirely on existing programs and providers. For example, districts could continue to operate their local BTSA programs and work with their regional BTSA consultant. Similarly, districts could continue using UC, CSU, county offices, and other groups that currently provide them professional development services. They would simply receive funding directly and contract with their preferred providers—as they do with many other types of services.

**Leverages Federal Funds.** In 2002-03, California will receive \$333 million in federal Title II monies. The federal government recently collapsed the Eisenhower and Class Size Reduction programs and significantly augmented total Title II funding. Title II funds are for teacher recruitment, training, and retention activities. (These monies are allocated based upon population and poverty measures, with low-income schools receiving more funds.) In addition, local education agencies must use between 5 percent and 10 percent of their federal Title I monies on professional development. The new federal legislation encourages agencies to combine local, state, and federal monies. Our block grant approach would make it easier for districts to leverage federal resources and use them to supplement the per-teacher state funding rates—potentially raising these per-teacher rates by several hundred

dollars.

**Accountability Based on API Scores, New Teacher Records.** In general, under our proposed block grant, districts would be held accountable based upon their improvement in student achievement. The Legislature could consider, however, a few additional accountability mechanisms. For example, UC has designed an Internet-based system that allows teachers to record their education and credential information, school-site information, and professional development activities. The system currently allows teachers to report all UC-administered activities, and UC administrators have access to remove teachers who do not complete activities. With little extra cost, UC states it could revise the system to include professional activities sponsored by numerous groups. In essence, teachers could keep their own electronic records of professional development activity. They could then forward these records to their district office or CTC during their review or credential-renewal process. (To renew their credential, teachers currently check a box noting they have completed 150 hours of professional development.)

This system would have the added value of generating a database that could be used to study the relationship between specific professional development activities and student achievement—with the potential that state policy makers could obtain better information on the effectiveness of various program options.

**Create Competitively Based Teacher Support and Development Block Grant**

***We recommend the Legislature consolidate six existing programs and create a new competitively based teacher support and development block grant. The block grant would provide a total of \$20 million General Fund (Proposition 98) that educational agencies could use to test pilot programs and conduct research on teacher training and professional development.***

In addition to a formula-based block grant, we recommend that the Legislature create a competitively based teacher support and development block grant. This would consolidate six existing programs, listed in Figure 7. The block grant would provide a total of \$20 million General Fund (Proposition 98) that would be distributed by SDE on a competitive basis to an educational agency or group of agencies. The size of the grant award could vary depending upon the proposed project, but total funding would be sufficient to provide 250 grants averaging \$80,000 per grant.

**Encourage Collaboration, Assist Low-Performing Schools.** Grant proposals could be submitted by any combination of educational agencies—including school sites, district or county offices, colleges or universities, and research or nonprofit agencies. Priority could be given to agencies that aim to improve student achievement in low-performing schools.

**Develop Model Programs, Disseminate Best Practices.** The objective of this smaller-sized block grant is to encourage ongoing innovation and experimentation in teacher training, induction, and professional development. Recipients would be required to conduct research on the effectiveness of their interventions and broadly disseminate their findings.

**Advanced Placement Teacher Training**

***We recommend the Legislature shift \$8.3 million in overbudgeted funds for the Advanced Placement Challenge Grant program to our proposed competitively based***

**teacher support and development block grant.**

The Advanced Placement Challenge Grant program provides nonrenewable four-year grants to high schools, with first priority for funding given to schools that offer three or fewer Advanced Placement (AP) courses. The SDE states that a majority of the funding is used for staff development, such as sending teachers to College Board AP workshops, UC workshops, or other summer AP training institutes. The annual grant amounts decrease each year of the four-year period (\$30,000 in year one, \$22,500 in year two, \$15,000 in year three, and \$7,500 in year four). The SDE is to distribute these grants on a competitive basis to no more than 550 public high schools. The *2000-01 Budget Act* appropriated \$16.5 million for the program, and SDE distributed first-year grants to 550 high schools.

Figure 7 LAO Competitively Based Teacher Support and Development Block Grant <sup>a</sup>		
(In Millions)		
Budget Item	Program	Proposed Appropriation
<b>Proposition 98</b>		
6110-193-0001	Advanced Placement Challenge Grants <sup>b</sup>	\$16.5
6110-197-0001	Comprehensive Teacher Education Institutes	1.0
6110-197-0001	College Readiness Program	1.0
Eliminated	Demonstration Programs in Intensive Instruction	—
Subtotal		\$18.5
<b>Non-Proposition 98</b>		
6110-194-0001	Exploratorium	\$1.5
6110-194-0001	Geography Education Alliances	0.1
Subtotal		\$1.6
<b>Total</b>		<b>\$20.1</b>
<sup>a</sup> Block grant would consolidate the listed programs, funding sources, and amounts as proposed by the Governor into a single allocation of \$20 million from Proposition 98.		
<sup>b</sup> Funding from program would need to be gradually shifted into the block grant as outstanding statewide obligations were paid.		

**Governor Proposes Reducing Second-Year Appropriation But Not Third-Year Appropriation.** For 2001-02, SDE renewed these original grant awards but did not issue any additional awards. The *2001-02 Budget Act* appropriated \$16.5 million, however, for the program—\$4 million more than was necessary to fund 550 second-year grant awards. The 2001-02 revised budget recaptured the \$4 million in savings. The Governor's budget proposal, however, appropriates \$16.5 million for the program—approximately \$8.3 million more than necessary to fund 550 third-year grant awards.

**Most Schools With Three or Fewer AP Courses Already Receive Awards.** In August 2001, the Office of the Secretary for Education released a report on the availability of rigorous courses in California's public high schools. The study defined "rigorous courses" as AP courses, International Baccalaureate courses, and UC-approved Honors courses. The study reported that 56 high schools had three or fewer rigorous courses in 2000-01. Of these 56 high schools, SDE states that 48 are receiving AP Challenge Grant funding. Of the eight high schools not receiving AP funding, seven are very small schools (for whom offering additional courses is more difficult) and one is a specialized academy. The AP Challenge Grant program is therefore already serving almost all of the schools it is designed to serve, making additional grant awards unnecessary. Thus, we recommend that the Legislature shift \$8.3 million in overbudgeted AP funds (Proposition 98) to our proposed competitively based block grant (Proposition 98) that would seek to benefit

similar schools through research and innovation.

Another Reading Professional Development Program

***We recommend the Legislature eliminate the Support for Secondary Schools Reading program, thereby saving \$8 million Proposition 98. The Legislature should eliminate the program because it is (1) duplicative of other programs and (2) not authorized as a state program.***

The Support for Secondary Schools Reading (SSSR) program distributes grants on a competitive basis to county offices of education or consortia of county offices. The county offices are to use the grant monies to provide professional development opportunities to secondary school teachers who instruct students who are reading below grade level.

***Duplicative of Existing State Programs.*** The state has three other programs that provide professional development in high school reading. The recently established Mathematics and Reading Professional Development program will provide standards-based professional development in reading for every English and social science public high school teacher in the state over the next four years. The state also recently established the High School English Institutes and the English Language Learner Institutes—both of which provide standards-based professional development opportunities for secondary school teachers. Also, the UC-administered Reading and Literature Project provides standards-based professional development to K-12 teachers, reserving 75 percent of its program slots to teachers serving in low-performing schools.

***Federal Program Has Not Been Authorized.*** The Legislature has not authorized the SSSR program as a state program. It was originally a federal program funded with federal Goals 2000 monies. The 2001-02 Budget Act included \$8 million Proposition 98 to compensate for the expiring Goals 2000 monies.

Because the SSSR program was never authorized as a state program and is duplicative of existing state programs, we recommend the Legislature eliminate it, thereby saving \$8 million Proposition 98.

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Legislative Analyst's Office

# Analysis of the 2002-03 Budget Bill

## California State University (6610)

The California State University (CSU) currently consists of 22 campuses. The CSU Channel Islands, located in Camarillo (Ventura County), is scheduled to open in fall 2002 as CSU's 23<sup>rd</sup> campus. The Governor's budget proposes General Fund spending of \$2.7 billion. This is an increase of \$128 million, or 4.9 percent, over the enacted 2001-02 budget and an increase of \$28 million, or 1 percent, over the Governor's proposed revision of the 2001-02 budget. For the budget year, the Governor proposes \$118 million in augmentations and \$35 million in reductions. Figure 1 indicates General Fund changes from the enacted 2001-02 budget to the revised 2001-02 budget. It also describes the Governor's 2002-03 General Fund budget proposals.

Figure 1 California State University General Fund Budget Proposal	
(In Millions)	
2001-02 Budget Act	\$2,607.4
Baseline Adjustments	
Carryover/reappropriation	\$35.8
PERS employer rate increase	84.2
Ongoing reduction for natural gas costs	-20.0
2001-02 Revised Budget	\$2,707.5
Baseline Adjustments	
Reductions for one-time appropriations in current year	-\$18.9
Carryover/reappropriation	-35.8
Proposed Increases	
4 percent enrollment growth (12,030 FTE)	78.1
1.5 percent base increase	37.7
Support for summer term at CSU Chico	1.2
Other	1.0
Subtotal	(\$118.0)
Proposed Reductions	
Financial aid adjustment	-\$14.5
Education Technology Professional Development program	-6.5
CalTEACH teacher recruitment	-5.0
Other	-9.1
Subtotal	(-\$35.1)
2002-03 Proposed Budget	\$2,735.6
Change from 2001-02 Revised Budget	
Amount	\$28.2
Percent	1.0%

**Base Budget Increase.** The Governor's budget provides CSU with a 1.5 percent base increase totaling \$37.7 million. The budget assumes that CSU will use this increase for adjustments to faculty and staff salaries (pursuant to collective bargaining negotiations), maintenance, information technology projects, and other programs.

**Enrollment Growth of 4 Percent.** In addition to a 1.5 percent base increase, the Governor's budget provides CSU with \$78.1 million for enrollment growth. The budget assumes that CSU will serve 12,030 additional full-time equivalent (FTE) students, or 4 percent more FTE students than budgeted in the current year. This growth rate is above the growth rate projected by the Department of Finance (3.4 percent).

In the current year, CSU served substantially more students than budgeted. Although CSU was budgeted for 3 percent growth in the current year, it estimates (based upon fall 2001 enrollment) that it will experience 5.9 percent growth (serving an additional 17,181 FTE students rather than the 8,760 additional FTE students for which it was budgeted). The CSU attributes much of the unanticipated growth to the recent economic downturn. It used temporary measures (such as salary savings and an increased student-per-faculty ratio) to cover the cost of educating these additional students.

Figure 2 California State University General Fund Support Per FTE <sup>a</sup> Student					
	Actual 2000-01	Enacted 2001-02	Proposed 2002-03	Change From 2001-02	
				Amount	Percent
Average support per FTE student	\$8,360	\$8,525	\$8,599	\$74	0.9%
Marginal support per FTE student	5,813	6,360	6,487	127	2.0
<sup>a</sup> Full-time equivalent.					

**Student Fees Maintained at Current Levels.** The Governor proposes to maintain both resident and nonresident fees at their current levels. The total proposed fees are:

- \$1,876 for full-time resident undergraduates.
- \$1,954 for full-time resident graduates.
- \$9,256 for nonresidents.

In contrast to the previous six years, the Governor does *not* propose to provide General Fund support in lieu of an increase in student fees. Since 1996-97, the state has annually provided CSU with this support. From 1996-97 though 1998-99, the state provided General Fund support in lieu of increases in student fees at an annual rate of 10 percent. From 1999-00 through 2001-02, the state provided such support at an average annual rate of 4.5 percent. As a matter of recent practice, the foregone fee increases are assumed to reflect the percent change in per capita income, with a two-year lag.

The CSU has not raised fees in eight years. After adjusting for the effects of inflation, total resident undergraduate fees are actually \$384, or 18 percent, less today than they

were in 1994-95. By choosing not to provide General Fund support in lieu of a increase in student fees, the Governor is assuming that CSU will either (1) absorb the associated inflationary impact or (2) raise fees (which the CSU Board of Trustees has the statutory authority to do). We discuss student fees for all three segments in more detail in the "Intersegmental" section of the *Analysis*.

**Summer Expansion at CSU Chico.** The Governor's proposal includes \$1.2 million to continue the enhancement of summer operations at CSU. The system intends to use this funding to provide General Fund support for 240 existing FTE summer enrollments at CSU Chico. In the current year, the state began providing this additional support as an incentive for CSU to expand its summer enrollment more rapidly. According to the "buyout" formula used in the current year (but updated to account for the higher marginal cost rate in 2002-03), CSU needs \$977,000 to fully support the 240 FTE enrollments at Chico. We discuss this issue, as well as related issues, in our "Update on Year-Round Operations," which is included within the "Intersegmental" section of the *Analysis*.

**Proposed Reductions.** While the budget proposes a total of \$118 million in augmentations, it also proposes \$35 million in reductions.

- **Financial Aid Adjustment.** The Governor proposes a \$14.5 million reduction in General Fund support for campus-based financial aid. The Governor argues that this reduction is made possible as a result of fee reductions in 1998-99 and 1999-00 that were not accompanied by corollary reductions in financial aid. Over those two years, the state increased CSU's base
- budget by a total of \$43.6 million (General Fund) to backfill the reduction in fee revenue. One-third of this amount, or \$14.5 million, had been designated for student financial aid and is now proposed for elimination.
- **Education Technology Professional Development Program.** The Governor proposes a \$6.5 million reduction to CSU's education technology institutes, reducing the total appropriation for the program to \$6 million.
- **California Center for Teaching Careers (CalTeach).** The Governor proposes a \$5 million reduction in CalTeach's advertising activities. The previous two budgets provided CalTeach with \$9 million annually (in addition to the funding it receives for operating expenses) to run a statewide advertising campaign aimed at attracting individuals into the teaching workforce.

**General Fund Support Per Student.** Figure 2 shows the average and marginal General Fund support per FTE student at CSU from 2000-01 through 2002-03. The budget proposes average General Fund support of \$8,599 per FTE student. This is \$74, or 0.9 percent, more than the average General Fund support provided in the enacted current-year budget. For each additional FTE student budgeted in 2002-03, the Governor provides \$6,487 in General Fund support. This is \$127, or 2 percent, more than the marginal General Fund support provided in the current year.

**Crosscutting and Intersegmental Issues Involving CSU**

We address several issues relating to CSU in other sections of this chapter. In



"Education Crosscutting Issues—Teacher Support and Development," we discuss the Governor's proposal to reduce funding for the CSU-administered Education Technology Professional Development program. We recommend that the Legislature approve the reduction but do so as part of a broader effort to streamline existing professional development programs for K-12 teachers. Specifically, we recommend the Legislature shift the program into a formula-based teacher support and development block grant.

In the "Intersegmental" section of the chapter we discuss:

- The CSU's student fee policies. We recommend the Legislature adopt a fee policy for CSU that is fair, consistent, and predictable.
- The CSU's institutional financial aid programs. We recommend the Legislature create a fair and consistent statewide financial aid policy and shift state funds from institutional aid programs to the statewide Competitive Cal Grant program.
- The Governor's proposal to provide CSU with \$1.2 million to expand summer operations at CSU Chico. We recommend the Legislature approve \$977,000 but continue to link the funding to summer enrollment growth.
- The CSU's and UC's joint doctoral programs in education. We recommend the Legislature ask the systems to report on their new funding and fee policies for these programs.

## Convert Governor's Teaching Fellowships Into APLE Warrants

***We recommend the Legislature convert the Governor's Teaching Fellowships into awards issued under the longstanding Assumption Program of Loans for Education (APLE), which is administered by the Student Aid Commission. The Legislature could then authorize the commission to issue 1,000 additional new warrants (for a total of 7,500 new warrants) each year. This program conversion would allow more students to receive financial aid, save \$21.1 million in the budget year, reduce future costs by several million dollars, eliminate the fellowship repayment process, and reduce administrative costs.***

The CSU administers the Governor's Teaching Fellowship program, which was established in 2000. The Governor's budget includes a total of \$21.1 million for the program in the budget year. The program offers nonrenewable \$20,000 grants to meritorious students enrolled in teacher-education programs. The CSU issues 1,000 fellowships each year. The Student Aid Commission administers a similar program—the longstanding APLE, which offers up to \$19,000 in loan forgiveness to meritorious students enrolled in teacher-education programs. The commission currently issues 6,500 new warrants each year. We recommend the Legislature convert the Governor's Teaching Fellowships into APLE warrants and authorize the commission to issue 1,000 additional warrants (for a total of 7,500 new warrants) each year.

### Programmatic Similarities

These two programs share several central characteristics, including: (1) serving similar

students and (2) requiring similar teaching commitments.

**Programs Serve Similar Students.** The eligibility criteria for the fellowship program and APLE program are very similar. Under both programs, recipients must have outstanding ability as demonstrated by academic performance, faculty evaluations, interviews, and/or letters of recommendation. The only notable difference is that APLE recipients must already have or agree to receive a federal or state educational loan.

**Programs Require Similar Teaching Commitments** Additionally, both programs require very similar teaching commitments. The most notable difference in teaching commitment is that APLE recipients have more flexibility. Whereas fellowship recipients must agree to teach four years in a low-performing school, APLE recipients must agree to teach four years in one of the following areas: a low-performing school, a low-income school, a school with a high percentage of uncredentialed teachers, or a designated subject matter shortage area.

The penalties for not fulfilling these teaching commitments are also similar. Fellowship recipients are required to repay \$5,000 for each year they renege on their teaching agreement, whereas APLE recipients are denied loan forgiveness (ranging from \$2,000 to \$5,000) for each year they renege on their teaching agreement.

**The APLE Has Benefit of Multiple Incentives.** The APLE program has the added benefit of multiple incentives, in which individuals can obtain greater loan forgiveness if their teaching assignment addresses multiple areas of need. For example, an APLE recipient who agrees to teach in a low-income school is eligible for a total of \$11,000 in loan forgiveness; an APLE recipient who agrees to teach *mathematics* in a low-income school is eligible for a total of \$15,000; and an APLE recipient who agrees to teach mathematics in a school in the *lowest 20 percent* of the Academic Performance Index rankings is eligible for a total of \$19,000. The fellowship program does not have any of these additional incentives.

**Fiscal Efficiencies**

Although the two programs could be combined simply because they serve similar students and require similar teaching commitments, the Legislature could obtain several fiscal benefits by converting the \$20,000 fellowships into \$19,000 redeemable APLE warrants. These benefits include: (1) saving \$21 million in the budget year, (2) reducing out-year costs, (3) reducing enforcement costs, and (4) reducing administrative costs.

**Saves \$21 Million in Budget Year.** Converting the fellowships into warrants saves \$21 million in the budget year because award recipients would not begin redeeming their warrants until 2003-04. Although this is a short-term savings, the Legislature can also obtain the long-term savings, as described below.

**Reduces Enforcement Costs.** Under the fellowship program, recipients must repay \$5,000 for each year of their teaching commitment they do not fulfill. State law gives CSU the authority to adopt any rules and regulations that are necessary for "the

recovery of funds it determines are owed to the state." It also gives CSU the authority "to seek a civil penalty on a recipient of funds under this program." Under the fellowship program, therefore, CSU potentially can become involved in a time-consuming, difficult, and costly enforcement process to obtain repayment from individuals who have already received fellowships yet have decided not to teach. In contrast, under the APLE program recipients agree to take a loan in their own name and are held immediately liable if they do not fulfill their teaching commitment. (In such cases, the state simply does not forgive that portion of their loan.)

***Reduces Administrative Costs.*** To administer the fellowship program and track fellowship recipients, CSU receives \$1 million annually and the Commission on Teacher Credentialing receives \$66,000. These two agencies have received this funding since the inception of the program—when there were few fellowship recipients and no fellowship recipients to track. They continue to receive this funding even though the program involves only 1,000 fellowship recipients. Thus, the state pays more than \$1,000 in administrative costs for each fellowship that CSU awards. By comparison, the commission expends approximately \$400,000 annually to administer the APLE program. With this \$400,000, the commission is able each year to issue 6,500 new warrants as well as track more than 15,000 existing warrants. Thus, the state pays less than \$19 in administrative costs for each APLE warrant issued.

In sum, we recommend the Legislature convert the Governor's Teaching Fellowships into APLE warrants and authorize the commission to issue 1,000 additional warrants (for a total of 7,500 new warrants) each year. This would result in both short- and long-term fiscal benefits, including: (1) saving \$21.1 million in the budget year, (2) reducing future costs by several million dollars, (3) reducing enforcement costs, and (4) reducing administrative costs.

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